

ORIGINAL

MEMORANDUM



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TO: Docket Control Center Arizona Corporation Commission

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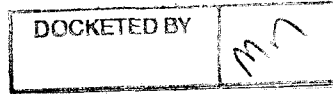
FROM: Steven M. Olea
Director
Utilities Division

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DATE: April 17, 2012



RE: GRANITE MOUNTAIN WATER COMPANY, INC. - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINE (DOCKET NOS. W-02467A-09-0333 AND W-02467A-09-0334)

On September 1, 2010, the Arizona Corporation Commission ("Commission") issued Decision No. 71869 which approved the application of Granite Mountain Water Company, Inc. ("Granite Mountain" or "Company") for a rate increase and financing.

As part of Decision No. 71869, the Commission ordered that:

"...Granite Mountain Water Company, Inc. shall, within two years after the effective date of this decision, file with the Commission's Docket Control a permanent rate case application."

On February 28, 2012, Granite Mountain docketed a motion for a waiver requesting an extension of time for the provision of the rate application ordered in Decision No 71869. This decision required Granite Mountain to docket a rate case application on or about August 31, 2012, which is two years after the September 1, 2010, filing date of Decision No. 71869.

Separately, Commission Decision No. 72896 ordered that Chino Meadows II Water Company ("Chino Meadows") file a rate application concurrent with the rate application to be filed by Granite Mountain. The Commission ordered this "to eliminate further disputes related to cost allocations" between the firms. Unfortunately, a full year of experience under Chino Meadows new rates was only achieved on March 1, 2012, making March 31, 2013 the earliest test year available for the required Chino Meadows rate application. This would prevent Granite Mountain from complying with Decision No. 71869. The Company application properly states that the rate case requirements for Decision Nos. 71839 and 72896 are not compatible with one another.

On October 19, 2011, Staff addressed the above issue via a filing in Chino Meadows Docket No. W-02370A-10-0519. In accepting Chino Meadow's three year expense amortization proposal for handling allocation issues, Staff provided the following comments:

"Staff has considered the Company's proposal and finds it an acceptable resolution to the allocation issue in this case. Staff's acceptance is contingent on the Company's commitment to file its next general rate case at the same time as the filing of the next rate case for its sister utility, Granite Mountain. It is Staff's

understanding that synchronizing the filings of the Company and Granite Mountain under the scenario described by the Company may necessitate an appropriate extension of the filing deadline for Granite Mountain which Staff accepts.”

Staff contacted the Company attorney to discuss the number of months after the Chino Meadows March 31, 2013 test year that would be needed to file both rate case applications. Considering the potential level of work necessary to file two rate cases simultaneously, Staff and the Company concluded that an appropriate due date for Granite Mountain’s rate case would be September 30, 2013.

Therefore, based on the application and all of the above, Staff does not object to Granite Mountain’s request for an extension of time of the rate case requirement. Staff, therefore, recommends that the due date for the provision of the Granite Mountain rate case application be extended until September 30, 2013, utilizing a Test Year end date no earlier than March 31, 2013.

SMO:BKB:lhbm

Originator: Brian K. Bozzo

SERVICE LIST FOR:

GRANITE MOUNTAIN WATER COMPANY, INC.
DOCKET NOS. W-02467A-09-0933 & W-02467A-09-0334

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